



neighbors
HEALTH SYSTEM

VALUATION SERVICES RFP





1. SUMMARY AND BACKGROUND

Neighbors Health System is currently accepting proposals for business valuation services for a corporate restructure and consolidation. The purpose of this Request for Proposal (RFP) is to solicit proposals from various valuation services firms, conduct a fair and extensive evaluation based on criteria listed herein, and select the firm who will best carry out the vision and execution of this project, within an expedited time frame.

2. PROPOSAL GUIDELINES

This Request for Proposal represents the requirements for an open and competitive process. Proposals will be accepted until 12pm CST November 24, 2015. Any proposals received after this date and time will not be considered. All proposals must be signed by an official agent or representative of the company submitting the proposal. Proposals are to be delivered by BOTH electronic mail to cmathew@nec24.com and one physical copy to 11200 Broadway, Suite 2320, Pearland, TX, 77584. The physical copy can be received after the electronic due date.

All outsourced services, if applicable, must be clearly listed in the proposal, including their scope of services. Additionally, all costs included in proposals must be all-inclusive to include any outsourced work. Any proposals which call for outsourcing or subcontracting work must include a name and description of the organizations being contracted.

All costs must be itemized to include an explanation of all fees and expenses. Contract terms and conditions will be negotiated upon selection of the winning bidder for this RFP. All contractual terms and conditions will be subject to review by *Neighbors Health System*, and will include scope, budget, schedule, and other necessary items pertaining to the project.

3. PROJECT SCOPE

Neighbors Health System is comprised of multiple individually licensed and operating free standing emergency centers located throughout the state of Texas. Each facility operates as a separate and distinct entity, with its own financial and operational tracking. The entire enterprise is depicted in the organizational chart included in Appendix A.

Neighbors Health System, Inc. and subsidiary companies function as exclusive managers and also 1% shareholders in the various individually owned emergency centers that *Neighbors* operates. The other 99% interest of each center are comprised of various classes of physician shareholders, including the original founders. This setup allows centralized management and control of the entire enterprise, while keeping each center as a virtual independent business. Each center's stock is put into a series of stock within a "series LLC" to allow a single investor to invest in multiple centers through one tax ID. Each center's operating entity has a lease with a landlord, and in some instances the landlord shell entity is wholly owned by the operating entity.





////////////////////////////////////

At this time juncture, *Neighbors* wishes to individually value each emergency center's operating entity, as well as the real estate shell entities in those centers where we own the real estate, to allow internal consolidation of all entities for the shareholders. This valuation will then allow a liquidation sale of a TBD amount of the company for outside investor infusion. The mechanics of the deal will be disclosed to the winning bidder once engaged. For purposes of this scope, we will need individual values for each center, as well as an individual value for the entire corporate management entities.

Bidders should disclose the various methodologies and valuation techniques they deem will be needed to value each free standing emergency center we operate. The following list of information, in addition to an RFI list to be provided by the winning bidder, will be provided expeditiously to the engaged valuation firm:

- Externally audited financials (2013, 2014, and trailing twelve months Q2 2015) for each center as well as a combined format
- Depreciation schedules of all assets
- Financial projections going forward
- List of centers actively seeing patients (15+ sites)
- List of centers under active construction (11+ sites)
- List of centers where real estate has been closed (5+ sites)
- List of centers where a site selection has been made
- All legal and organizational documents

Bidding firm shall assign value, if any, to all centers on the lists provided to bidder. Firm shall also assign a value to our corporate entity structure based on its current list of assets, intellectual property, and any other necessary information.

Neighbors Health System, Inc. serves as the parent company to all the various management companies listed underneath it, and wholly owns said entities. The value of the entire management tree (all green entities) should be listed as a single value.

Neighbors Health System will be available to answer any questions or provide any additional needed information prior to the due date. Primary contact is Cynthia Mathew:

Neighbors Health System, Inc.
ATTN: Cynthia Mathew
11200 Broadway, Ste. 2320
Pearland, Texas, 77584
Voice: 713-436-5200
Fax: 832-553-8064
cmathew@nec24.com



Bidders should also include the following as part of their proposal for consideration:

- Experience in valuating comparable projects.
- Portfolio / dossier of completed projects
- Company Marketing Materials

4. PROJECT TIMELINE

RFP Requested.....	November 18, 2015
RFP Due.....	November 24, 2015
Contract / Negotiations.....	November 30, 2015
Project Commencement.....	December 01, 2015
Project Completion.....	December 18, 2015

NEIGHBORS HEALTH SYSTEM THANKS YOU IN ADVANCE FOR YOUR PROPOSAL SUBMISSION.





neighbors

HEALTH SYSTEM

COMPANY ORGANIZATIONAL CHART

APPENDIX A.





Notes:

- Governance of all entities is by Neighbors Health System Board of Directors via management agreement





Table of Contents

Executive Summary	2
Mission & Vision Statements	3
Company Profile	4
Company Structure	6
Market Analysis	8
Strategy & Growth Plan	11
Financial Analysis	14
SWOT Analysis	18
Contact Information	19

Appendices:

Appendix A	Organizational Chart & Center Ownership Schedule
Appendix B	Leadership Roster
Appendix C	Current Emergency Centers
Appendix D	Current Projects
Appendix E	Competitor Analysis
Appendix F	Strategy Map
Appendix G	Marketing Materials & Analytics
Appendix H	Read King Dossier
Appendix I	Company Financials, Pro Forma, & New Center Model



Executive Summary

Neighbors Emergency Centers, the primary service line of Neighbors Health System, have taken their place as a community leader and quality provider of emergency medicine services in the markets we serve across the state of Texas. Since 2008, we have treated thousands of patients at each facility and have achieved some of the highest patient satisfaction scores in our industry. With our July 2014 entry into the Austin, TX market, we have six operational centers, and have four more that are slated to open by the end of 2014. In anticipation of and to better support our rapid growth, Neighbors is building out a new 12,000 square foot corporate headquarters, which will be immediately behind our flagship center in Pearland, TX. This successful track record has placed us on a steep growth curve as we continue our expansion efforts. With capital sources already in place, including a \$31 million dollar corporate line of credit from BBVA Compass Bank, Neighbors has catapulted into a true regional healthcare provider, poised to continue this expansion over interstate lines across the southwest United States, extending nationally as our growth strategy is executed.

Through this execution, financial health for Neighbors remains healthy as our patients, and on an upward trajectory. Revenues totaling \$93 Million were realized for 2013, with a net income of \$35 Million (EBITDA 39%). For 2014, with YTD data, revenues are projected to be \$149 million, with a net income of \$45 million (EBITDA 33%). Our growth by the end of 2015 projects us at revenues exceeding \$246 million with a net income \$95 million (EBITDA 38%). Financial audits of our accounting practices and bookkeeping are in continual progress by third party accounting firms, preparing us for middle to upper market private equity firms, and a potential liquidity event, with long term plans to enter the public market place via an initial public offering.

Currently, our company is 100% physician owned, and our strength and dedication to quality patient care is unsurpassed and our primary mission focus. This patient centric mission will be paramount as this company enters new market positions via investor capital, which we believe will maximize both investor return on investment and health outcomes of our patient base. At Neighbors, these two foci have coexisted as a fully private company, and will continue to do so as we reach public markets. With an experienced executive team already in place, we have the leadership infrastructure to maintain a strong, physician led organization dedicated to quality patient care and medical ethics while utilizing sound business principles to keep our business optimized for shareholders. Our sound reputation on these fronts continue to set us apart from competitors and drive patients to our doors during their times of need. We firmly believe the success of our existing NEC facilities will be replicated in our expanding markets utilizing these same principles. The combination of local practicing investor physicians and a proven business model will carry on the Neighbors brand for our patients and healers alike.



Mission

"To deliver quality, compassionate, expedient emergency medical care focused on our patients and their families."

At Neighbors Emergency Centers, our mission is conducted 24 hours a day as we deliver one of the most thorough and time committed medical experiences in our industry. Our physicians and staff stop at nothing to carry out our mission.

Vision

"To be the first neighbor people turn to when emergencies occur."

Our vision is simple—our name says it all. We strive to be the trusted neighbor that is always available when life's emergencies arise. Sickness or trauma—we are constantly aiming to be the best neighbors ever—the neighbors that people turn to first and foremost.



Company Profile

Neighbors Health System and its affiliates are a Houston, Texas based group of companies organized by local emergency physicians in an effort to serve the greater Texas and southwest United States with quality medical services. Twenty-four hour emergency care continues to be our center of focus and primary service line. Currently, "Neighbors Emergency Center" branded facilities are located throughout the Texas Market, with immediate plans for regional expansion that are underway with planned completion by end of 2015. We aspire to provide concierge level care to every patient profoundly different than their currently available options. By recognizing what patients value most, we have tailored a health care delivery product that maximizes both patient outcomes as well as satisfaction. Further, our centers are currently fully owned and staffed by equity physician partners—by having ownership, our physicians consistently deliver our extraordinary service experience to every patient. It is this experience that has propelled Neighbors as one of the most recognized emergency medicine companies in our industry.

All NEC facilities offer full services of a standard emergency department, including computed tomography (CT scan), bedside emergency ultrasound, radiographs (x-rays), and a full service clinical laboratory. An in house pharmacy also carries a full line of life saving medications as well as the full complement of emergency department pharmaceuticals. In addition to in-house board certified physicians, staffing includes registered nurses, radiology technicians, clinical technicians/paramedics, administrative assistants, and support departments 24 hours a day. Above that, our facilities are designed and built with patient comfort in mind and are rigorously maintained to continue our care experience. Each center is individually licensed by the Texas Department of State Health Services as a "Free Standing Emergency Care Facility" (FEC) under section 254 of the Texas Health and Safety Code. In addition, our clinical laboratories are accredited by both COLA and CLIA agencies.

It is important to note that our business model has gone through several transformations. Bellaire was our first location which opened in 2009. During that time no state license existed for our type of facility, so the only way to bill at a true emergency department rate was by affiliating with a hospital who possessed a general hospital license. Both Bellaire (with First Street Surgical Hospital) and Kingwood (with University General Hospital) were initially setup as hospital outpatient departments of their respective hospitals affiliates. Since we were non-hospital independent business entities that built, ran, and managed these centers, the state desired a more appropriate structure, which led to the creation of the specialized license construct by the Texas Department of Health, heavily pushed by emergency physicians. Before this was created, we had to rely on the hospital entities which provided billing and coding services and passed through collections to us via contractual management arrangements.

There are numerous reasons for the success of the FEC model. Across the country, current emergency department wait times average multiple hours, with Texas being some of the most egregious. These long queues are multifactorial, but include reasons such as complex cases, poor facility utilization, and non-resource patients who use emergency departments for their



only source of medical care. At Neighbors, patients are typically speaking to a board certified physician within minutes of arrival. All diagnostics are performed and medicines administered in a very rapid manner. Total length of stay and patient cycle times are kept minimal, recognizing that our patients and customers value time most. The length of stay metric at Neighbors Emergency Centers is 75-85% shorter than the average hospital emergency department. We aim to cater to our patients by offering a safe, private, and confidential environment in the most efficient way possible. Concepts of Lean and Six-Sigma have been implemented in every facet of our patient flow model.

Every patient that comes through our doors is evaluated by an emergency physician and receives a medical screening exam (MSE). Federal law (Emergency Medical Treatment and Labor Act) mandates that all patients receive this screening. Any patient that does not have an immediate life threatening emergency or is not in active labor after the medical screening exam must provide proof of private insurance coverage (Aetna, Humana, Blue Cross, etc.) or use our self-pay fee schedule in order to continue evaluation and treatment. This ensures the financial robustness of our business while allowing us to focus our efforts on providing efficient and expedient medical care to our patients—our core business model. Non-resource patients requiring life threatening stabilization are given appropriate care first, and are billed after care delivery. Appropriate medical care is never be compromised at any of our centers. These practices have allowed us to execute our mission focused care to the best of our capability, and allow profitability and return on investment to our shareholders.

Company Profile & Data	
Chief Business Entities	Neighbors Health System, Inc. NHS Emergency Centers, LLC
Year Founded	2008
State of Registration	Texas
Stock Distribution	Privately Held, For Profit
Governance	Board of Directors
Primary Business Practice	Emergency Medical Care & Support Services
Total Employees	250+
Total Physicians	60+
2013 – Gross Revenue	\$93.8 Million Dollars
2013 – Operating Expenses	\$56.5 Million Dollars
2013 – Net Income	\$37.3 Million Dollars
2013 – Booked Assets	\$45.9 Million Dollars
2013 – Booked Liabilities	\$10.1 Million Dollars

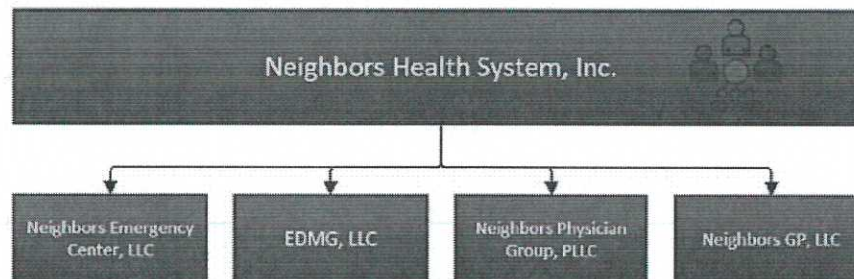


NEC24.COM



Company Structure

Neighbors Health System, Inc. (NHS) serves as the parent company for our management services branch of our business. Under NHS sit four companies, wholly owned by NHS. The first is Neighbors Emergency Center, LLC—this company holds all trademarks, copyrights, logos, and intellectual property owned by the collective group. Each emergency center is an individual limited partnership that has an intellectual property agreement with NHS for use of its branding, logo, etc. Next is EDMG, LLC (Emergency Department Management Group). This company handles payroll, system expenses, large contracts, etc. on behalf of each individual emergency center. There is zero net income for this entity, its sole purpose being operational use. All employees work under the EDMG tax ID and fall within its benefits and insurance programs. Third in the group is Neighbors Physician Group, PLLC (NPG). As the industry norm in Texas, most emergency physicians have an independent contractor relationship with the hospital or free-standing emergency center (FEC) they are working. So all physicians who render services to any Neighbors FEC fall under NPG, which then does physician billing and collections (different than facility billing and collections), as well as paying physicians for contracted services on an hourly basis.



Fourth in the group is Neighbors GP, LLC—this entity is the General Partner of all our FEC facilities. Each of our emergency centers is a Texas based Limited Partnership. Neighbors GP serves as 1% owner of each limited partnership, while 99% is owned by our other chief legal entity, NHS Emergency Centers, LLC.

NHS Emergency Centers is a Texas based “Series LLC” which legally allows different series of stock for different sub entities. Each of our centers is represented in the series LLC by an individual series of stock, and an individual set of financial bookkeeping. Each time we open a center, on average 60% of the new center is owned by local practicing doctors in the community the new center is serving. All owners have stock certificates for NHS Emergency Centers, LLC, as this is the main entity that houses 99% of all company assets. Neighbors Health System, Inc. serves as management while NHS Emergency Centers, LLC serves as an asset vehicle.



NEC24.COM

All centers operate under a commercial lease arrangement with a lessor entity. For some centers, the lessor is the same ownership and composition as the FEC entity. In these circumstances, a separate asset holding company is set up to hold the shell real estate. A landlord/tenant relationship is maintained, allowing the real estate to be managed independently from the operating FEC entity.

Please see Appendix A for a full organizational chart of entities, including individual center limited partnerships and real estate asset holding companies.

Neighbors Health System, Inc. has a management services agreement in place with each individual FEC limited partnership. It is also the general partner in each of the limited partnerships, allowing it to conduct business on behalf of the entire collective, as well as setting up a fiduciary duty to each FEC and investor pool. The management of NHS is via a very active Board of Directors consisting of eight original physician entrepreneurs who have voting rights, and three advisory positions consisting of our Chief Financial Officer, Chief Operating Officer, and legal counsel. Our entire board and leadership team is listed in Appendix B for reference.





Market Analysis

The current emergency medicine delivery models in our healthcare system can be divided into three major categories. The first is the traditional hospital based emergency room where patients actually drive to the hospital for care. This model is riddled with inefficiencies, poor patient experiences, long wait times, and poor patient satisfaction. The second model is a free standing facility that is affiliated with a hospital with an acute care license. Any licensed hospital can operate a hospital outpatient department within 35 miles of its licensed address. These outpatient departments include imaging, laboratory, primary care, and over the recent few years, emergency care. Although these hospital outpatient departments (HOPD) offer increased convenience for patients, they are still susceptible to the same challenges as their parent hospitals. If the parent hospital accepts Medicare/Medicaid, then the HOPD has to accept it as well, leading to increased overcrowding and long wait times.

The third delivery model is privately owned, non-hospital affiliated, free-standing emergency centers (FEC) that are individually licensed by their state. Led by physicians advocating for their patients, the great state of Texas was the first state to institute a separate, individual facility license for the private practice and delivery of emergency care in 2010. Neighbors Emergency Centers all operate under this license under section 254, Title 25, Chapter 131 of the Texas Health and Safety Code. Multiple other states across the country have subsequently adopted the same or similar licensing opportunities. Since Texas was the first state to allow this new licensing model, it has become the state with the most licensed free-standing emergency centers. In particular, Houston has the highest number of facilities.

Texas's licensing process involves mainly public health interests, and so focuses on items such as architectural and life safety guidelines and requirements. Nowhere does it mandate any sort of standards for physicians, providers, or staffing. As a result, similar to hospitals and ambulatory surgery centers, the FEC industry now has a wide array of quality and service delivery among its licensed participants. Some companies employ a bare-bones approach and their facilities are essentially glorified doctor's offices or urgent care centers that barely comply with the state code, and they employ non-emergency trained physicians and nurses within these facilities. Other companies like NEC build facilities that rival and surpass hospital based emergency rooms and employ physicians and staff of the highest caliber to deliver the highest quality care possible. At Neighbors, we pride ourselves on recruiting the best and brightest physicians and nurses in our industry. All of our physicians are board certified in emergency medicine and our clinical staff have high minimum experience requirements before they are even considered for employment. Our facilities are top of the line and surpass all of our competitors. Further, we do not financially discriminate any of our patients when they trust us for their health emergency.

Most free-standing emergency center based companies are currently out-of-network to major insurance companies. This means there is no insurance contract, and so reimbursement is higher for the same level visit compared to an in-network facility. These increased costs are passed down to both insurance company and patients. Neighbors works with all its patients to not be a financial burden to their health. Compared to our competitors, our charge master is



competitively priced to deliver value to patients while allowing our business to succeed. We work with patients and insurance companies to adjust pricing when needed while still adhering strictly to insurance rules and practices. Due to the high reimbursement possible through a highly priced charge master via the out-of-network billing practice, many lower quality FEC businesses are creating a negative impression of our industry. These businesses are delivering low quality service and charging/collecting a high monetary reimbursement from patients' insurance companies, and also sending patients to collections when they are unable to pay or refuse to do so for inferior rendered services. While this practice can potentially have an adverse impact on our industry, we believe that there are enough quality business practices in the marketplace to mitigate this subset group of businesses. However as an industry we realize the need for neutralization of such behavior in the interest of patient care and industry longevity, and are employing political, marketing, and competitive forces to maintain FEC integrity.

As new healthcare laws take affect through the affordable care act, our nation will see a surge of healthcare demand during a time when our surge capacity is already at a critical juncture. This will lead to further overcrowding, and we believe the free-standing emergency center industry will serve to supply this increased healthcare demand for private pay patients. If a two tier system ensues, we are also still uniquely positioned to handle the needs of our privately insured patients.

Lastly, there is an improving challenge of public understanding for services rendered by an FEC. As mentioned above, architecturally many of our inferior competitors' facilities resemble those of an urgent care. If a patient does not understand they are in an emergency room rather than an urgent care, they will be paying higher for services rendered relative to their expectations. Depending on the complaint, it may be better for certain diagnosis to be seen at a true urgent care. However, most urgent care facilities are not equipped at all to handle complaints such as chest pain, abdominal pain, complicated respiratory symptoms, and most trauma. This is the advantage of having free-standing emergency departments in suburban communities. We have seen a significant increase in public understanding of the key differences between urgent care and emergency care facilities, and believe that properly utilized FECs will continue to have a key position in our healthcare environment.

Texas in particular has several large emergency medicine groups involved in this industry. Among those, two companies have grown into taking alternate sources of capital apart from the initial investors. The largest of these companies is First Choice Emergency Rooms (FCER), who has also recently taken public funds via an IPO through newly formed Adeptus Health (NYSE: ADPT). First Choice sold a controlling interest to Sterling Partners in November of 2011. Subsequent to that event, the company has to date opened a total of 40+ centers. By placing fewer, but larger and better equipped facilities in key retail areas, Neighbors has been able to achieve nearly double the revenue per facility compared to First Choice/Adeptus. Further, our employee satisfaction remains high, and turnover remains the lowest in the industry. Employee satisfaction and culture is held as a high priority at NEC, and a visit to any of our centers will clearly illustrate this attribute. The largest value add that the Neighbors model constructs is the built in equity for the working physician. Our competitors' physicians, including Adeptus Health, are leaving those companies to come work/invest with us. We have created the most value driven and eloquent care delivery models in the industry. This ensures quality physician coverage and avoids the need to settle on lower tier or non-emergency trained physicians to fill



holes in the schedule. This advantage clearly places Neighbors ahead of Adeptus Health and our other competitors as quality becomes automatic as everybody's interests are aligned. This organic growth with a perfected equity model has avoided the need for venture capital and entry private equity assistance, and has put us on a better positioned business model and trajectory than Adeptus. A full competitor analysis can be found in Appendix E, including a head-to-head comparison of Neighbors Health System, and Adeptus Health.

Emerus (formerly "24 Hour ER") is the other competitor that in January 2011 sold an unknown percentage to venture capital firm Austin Ventures. Subsequent to that presumable loss of control event, Emerus has gone through several business model iterations, including partnering with hospitals to open non-Emerus branded facilities. Recently Emerus has once again opened a new center in Tomball (North Houston) under the Emerus brand. We feel these two examples illustrate the danger of early control loss equity infusions that stifle entrepreneurial business owners who understand their business best. At Neighbors we have taken the steps and have made the investment into professional management and support staff to attain the positive influences of private money while remaining agile and pure in our business execution.

Though year 2014, Neighbors has become one of the top FEC companies in Texas, and one of the largest in the nation. Based on number of centers, gross revenue, and invested infrastructure and capital assets, Neighbors is uniquely positioned to have substantial organic growth over the next 24 months propelled by its physician ownership model that is expressly unique to us. No other FEC company offers true physician ownership into its centers at such a fair percentage. Further, our company has been putting infrastructure and management teams in place to help grow our company through our strategic plan. Neighbors possesses the business acumen, expertise, and maturity to fuel our anticipated growth. We are now ready to entertain upper tier private equity and investment banks to help us ultimately reach the public market.



Strategy & Growth Plan

Giving patients an extraordinary care experience is paramount to our patient centric strategic approach, which includes creating an experience before, during, and after their visit. Before patients arrive, they are given a unified marketing message, easy access to our staff (including physician) via telephone, clear directions and location information, and an opportunity to preregister for their visit. During their visit, care is delivered in a state-of-the-art modern facility with all private treatment rooms, contemporary décor, and the latest electronics and patient comfort measures. After their visit, they receive follow-up phone calls from a physician and medical records are forwarded to their routine physicians if requested. Our physicians spend a tremendous amount of time with each patient. This care experience uniquely positions us apart from competing entities.

Service line diversification including occupational health, corporate accounts, and telemedicine has already been introduced into our business model. Our largest asset remains on-duty physicians twenty-four hours a day—leveraging this asset into multiple service lines adds tremendous value with minimal expense yielding an even higher return on investment. Existing clients include Grocers Supply, Walmart Distributors, City of Baytown, Harris County Constables – District 8, Texas Roadhouse Restaurants, and Marathon Oil. Future service lines including imaging centers, chest pain centers, practice management, and concierge services for VIP and private care/transport needs are being developed—all designed to utilize the assets in place for emergency care delivery.

Our core growth strategy includes a multifaceted approach to maintain our current service experience and allow systematic growth. This includes identifying local data points and demographics that will allow a center to succeed, and searching for these key success factors when performing opportunity analyses in potential markets. These criteria include demographics, mean incomes, traffic counts, industrial makeup, and insurance payer mixes in each local market, in addition to a thorough competitor analysis. We have a team of people obtaining this data and compiling it for the executive team and board of directors' review. Neighbors has recently achieved a strategic alliance with Houston based commercial real estate firm, Read King (Appendix H). Read King brings a powerful development engine that will allow us to execute our accelerated growth from our existing ten centers to twenty plus centers by the end of 2015. Their expertise and agility on procurement of real estate and shell construction will allow the Neighbors team to focus on interior construction build out and maintaining operations throughout the health system.

Unlike our competitors including Adeptus, once we determine a future site, we simply don't build a center and recruit physicians to work. These businesses always have a shortage of physician workforce, and often settle on substandard physicians to provide services. This blatantly goes against our mission statement—we will only enter a market where we have quality board certified emergency physicians to provide our service delivery. Since this caliber physician is usually in high demand, we have found that sharing ownership of an FEC with these highly specialized physicians solves two challenges: Finding physician workforce and adhering to our company mission.



Neighbors has taken this core approach of obtaining these local physician investor partnerships who will be staffing each new facility to serve as the unit model going forward. Until we introduced this model, working emergency physicians did not have a way to buy into a medical practice or have an equity stake in participating in the revenues of which they help generate. Neighbors has created a model where a local working doctor can participate in such equity while not having to start an FEC from scratch or have to deal with the management of the entire organization.

Each new center is divided into two classes of stock. Class A stock comprises of ~40% of facility ownership, and is held by Class A investors comprising primarily of physician board members and local physicians that were integral to the deal culmination. Class B stock comprises of ~60% of facility ownership, with each 2% tied to 24 hours of monthly clinical obligation. This gives 30 x 24 hours of coverage, essentially covering the entire month's physician needs. After local expenses and administrative overhead, profits are split with the same rights to class A and B shareholders. The only difference between the two classes is that the Class A shareholders have voting rights and control over operations. All financials are completely transparent to all parties. Our intent is to create a working, cohesive, trust filled environment to proliferate both quality healthcare delivery and return on investment via strong positive cash flow. Emergency medicine has not traditionally had these values, which stemmed our company's birth and current philosophy. Neighbors has positioned itself in the FEC industry as the only large scale company that provides this structure. The recruitment of physician investors becomes much easier when such a fair and win-win deal is presented. We have not taken all interested parties into our company—only those that fit into our company philosophy to see our vision come to fruition. Please see Appendix A for a full breakdown of each current and future center ownership percentages.

Our overall high level growth strategy targets three major fronts: Market Expansion, Service Experience, and Customer Recruitment (Appendix F). The aforementioned class A/B FEC unit model being inserted into target markets clearly illustrates the first focus. Maintaining service experience while expanding is critical to sustaining the company overall, and is always at the core of our day to day operations. Lastly, customer recruitment is the final focus—this will be done via customer base recognition and segregation, brand positioning, and partnerships/alliances with symbiotic businesses. This customer recruitment also highly relies on a sound and robust marketing plan.

Since 2011, Neighbors has partnered with Spry Creative, a local Houston marketing and advertising firm. With close supervision by the NHS Executive team, we have really created one of the largest assets this company has—our brand. None of our competitors have such a mature and highly developed multifaceted brand. Our message is crisp and very focused to our target audience. We have consistent data driven methodology to utilize our marketing dollars—these data points are collected through surveys, exit interviews, volume analysis, focus groups, and market research. Our mediums of advertising include television, radio, billboard, website, mobile billboards, print and magazine advertisements, and community events. In fact, one thing we have found is that our patients are loyal to those companies that support them—this includes healthcare. Neighbors sponsors local sports teams, local charities, and local businesses. Our goal is to be a neighbor, and even as our company expands, this local community immersion



will continue to be an approach we are proud to take. Please see Appendix G for marketing examples and our latest marketing analytics.

For 2014, employing the strategy outlined above, we have six operational centers, with another four set for completion in quarter four. This year also marks our first regional expansion outside the Houston metro market. Active centers are currently in Houston and Austin, with continued expansion in Austin, and new expansion into the Golden Triangle (Beaumont/Orange), El Paso, San Antonio, and the Odessa/Midland markets already planned, staffed, and funded for 2015. Further, 2015 will mark interstate expansion into Colorado with site selection already in progress. We anticipate opening 10-15 new FEC units per year in highly researched and aggressively positioned locations. Our current capital structure will carry out our vision till the end of 2015. Our next round of capital will be sought from middle and upper market private equity firms with the goal of an IPO and the secondary market. With private and public investor capital infused, and our equity physicians firmly on board, we are committed to continue the vision set forth by Neighbors as our collective interests remained aligned. We are a company of physicians, and plan on practicing our art until we pass our company down to a new generation of healers, while giving the public an opportunity to share in the vision.



Financial Analysis

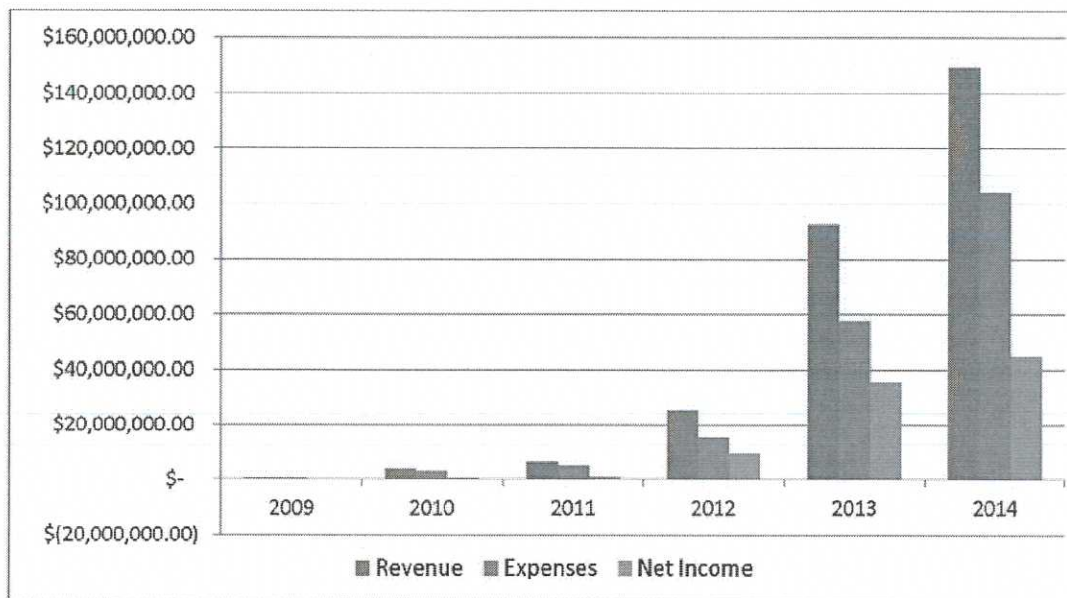
Cash flow is the lifeblood that fuels a business—Neighbors has some of the most impressive cash flows in the industry due to our efficient operations, customer loyalty, and brand recognition. Neighbors has gone through several stages of accounting and financial milestones since our 2008 inception. From initial cash based bookkeeping to now a full in-house accounting staff implementing accrual based GAAP accounting, we have built a solid accounting and finance team to support our expansion strategy. By year end 2015, we will be fully Sarbanes-Oxley compliant and have two years of fully audited financials. This company has the financial integrity and financial controls in place to take on equity partners and deliver the trust necessary to appease our investors. It is the Board of Directors' highest directive to be accurate and transparent in our financial accounting and bookkeeping. This ethical duty is to our patients, shareholders, debt holders, and future equity investors.

The following table lists our revenues and expenses from company inception to 2014 projections. Year-to-date 2014 financial data are on track to meet these goals. Please see Appendix I for full supporting documents. Gross YTD values for 2014 as of June 30th include revenue of \$74.6 million and expenses of \$52.1 million, yielding a net income of \$22.5 million. Total EBITDA for 2013 was \$36.8 million, a difference of \$1.4 million in interest, taxes, depreciation, and amortization. Projected EBITDA for 2014 is \$47.5 million based on volume trends and YTD data.

	2009	2010	2011	2012	2013	2014
Revenue	\$ 450,653.13	\$ 3,986,257.92	\$ 6,277,061.52	\$25,212,100.00	\$93,027,516.00	\$ 149,211,630.00
Expenses	\$ 501,913.38	\$ 3,147,370.23	\$ 5,126,706.32	\$15,694,860.00	\$57,598,265.00	\$ 104,191,932.00
Net Income	\$ (51,260.25)	\$ 838,887.69	\$ 1,150,355.20	\$ 9,517,240.00	\$35,429,251.00	\$ 45,019,698.00
	First Patient			FEC License Adopted	Accrual / GAAP Adopted	



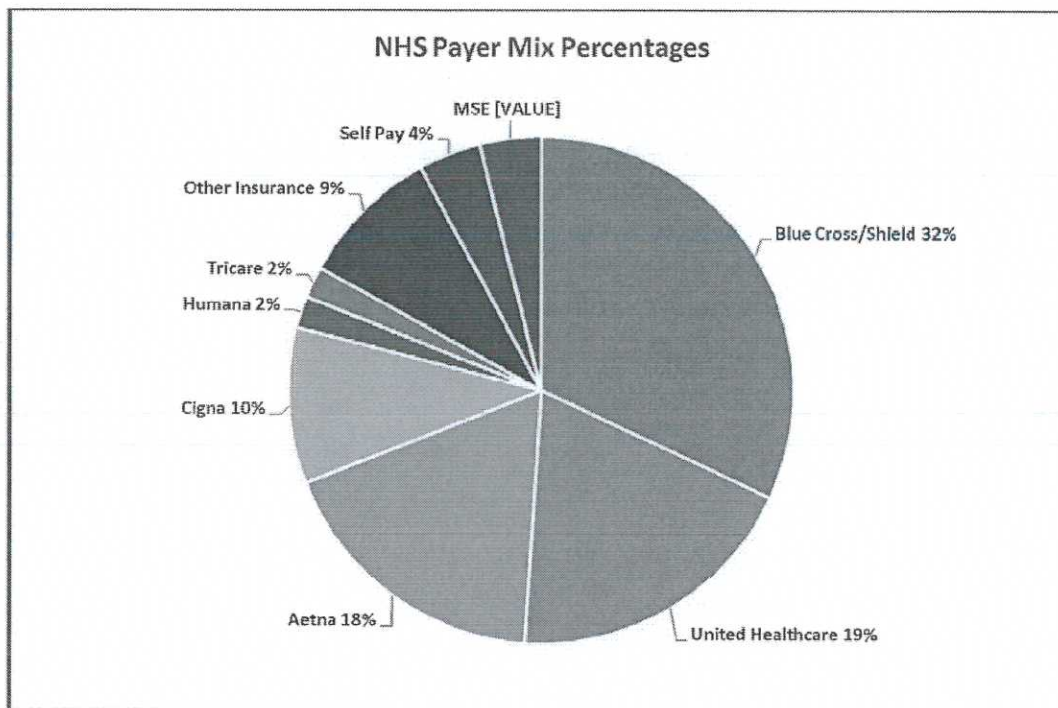
NEC24.COM



Both 2013 newly opened centers rapidly reached positive cash flow by month four, further strengthening our understanding and reliability of our financial and billing/collection systems. We feel our model has been validated and is reproducible. Using NEC Pearland as our latest example, the first three months of operations had a positive cash flow of over \$230,000. Net income over the same time frame was \$2.9 million dollars. The table below illustrates expected ramp up for each new center based on historical data and average patient volumes and acuity. Typically, a unit facility will be profitable once greater than 12 patients per day are treated, at an average collection per patient of \$800-1,000 dollars.

NEC New Center Assumptions (From Pro-Forma Unit Center Model)						
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Revenues	\$ 240,000.00	\$ 730,000.00	\$ 975,000.00	\$ 1,000,000.00	\$ 1,150,000.00	\$ 1,250,000.00
Expenses	\$ 350,000.00	\$ 520,000.00	\$ 560,000.00	\$ 590,000.00	\$ 660,000.00	\$ 700,000.00
Net Income	\$ (110,000.00)	\$ 210,000.00	\$ 415,000.00	\$ 410,000.00	\$ 490,000.00	\$ 550,000.00

Revenues are generated primarily from third party payers, with the various insurance makeup displayed below. Of all Neighbors patients, 92% have private health insurance. The remaining 8% receive a medical screening exam, of which half stay either electively or because the physician deemed them to have a true medical emergency (Self-Pay). The other half elect not to continue care after their MSE is complete. The collection rate on the 4% of total patients that fall in the self-pay category varies center to center, and typically ranges 30-60%. Overall this patient payer mix is ideal for the service niche that Neighbors provides, and allows healthy returns for all shareholders.

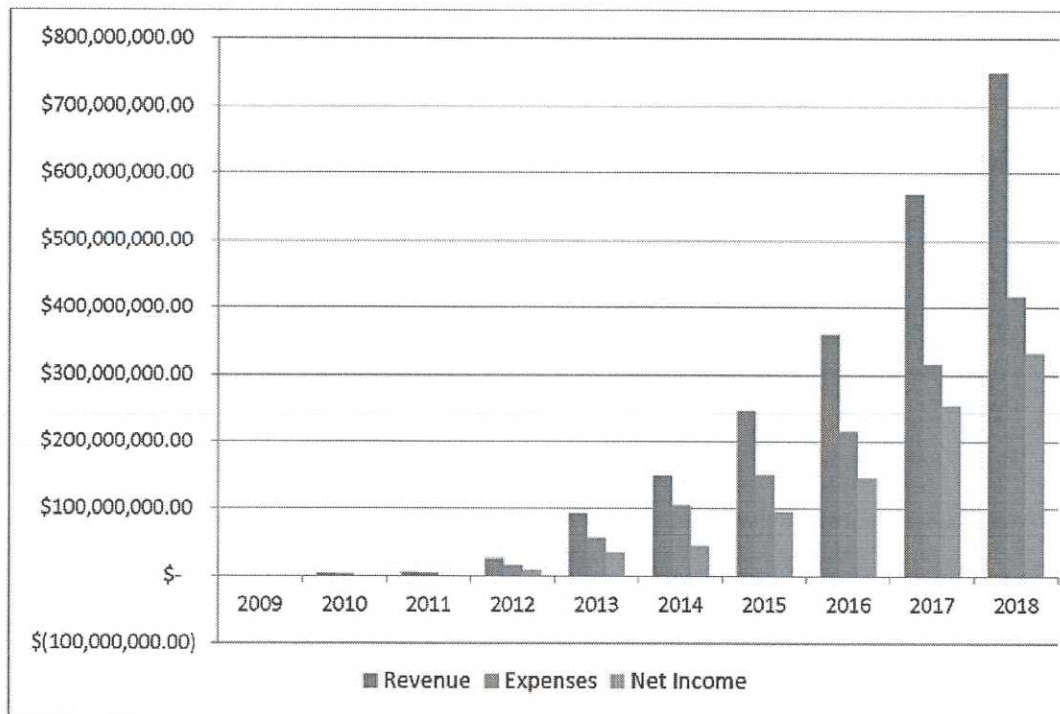


Four new centers are under construction for 2014, and ten new centers are in site selection phase for 2015. Subsequently, 10-15 centers per year are expected to be opened using the physician driven model Neighbors has perfected. Pro-forma projections are displayed below along with historical data from 2009-2013 with a conservative assumption of twelve centers per year.

Neighbors Health System Historical & Pro-Forma Data 2009-2018



NEC24.COM



Our growth and expansion will need significant capital to achieve fruition. We estimate that an average of \$2.8 million dollars will be needed per center to reach full operational status. The table below lists our immediate capital needs operationally for our planned expansion. Due to the increased volume and rate of expansion, and the better return on operations than real estate, we have now adopted the lease model going forward for new centers. In order to achieve this growth rate, the strategic alliance with Read King commercial real estate extends from brokerage to full construction of Neighbors shell facilities. A full dossier can be found in Appendix H regarding Read King. With over \$100 million in pledged capital for immediate deployment from AmREIT, Read King is ready to support the explosive growth Neighbors is about to undertake. We are confident this strategic alliance will help both companies execute their missions and provide ROI to their shareholders. Please see Appendix I for the FEC model center income statement (profit/loss) and cash flow statement models for the assumptions herein.

New Center Startup Assumptions (Excluding Potential Real Estate)			
	Year	New Centers	Needed Capital
Cost per Center	2014	4	\$ 11,200,000.00
\$ 2,800,000.00	2015	10	\$ 28,000,000.00
	2016	15	\$ 42,000,000.00

Major medical and imaging equipment will continue to be financed via FMV operating leases. We currently utilize fair market value buy out leases through GE Financial and Frost Bank, and are currently transitioning to BBVA Compass for all leasing needs. Quotes for all leased equipment total just over \$500,000 per center. No deviation from this practice is expected.



Capital for our 2015 growth has already been secured from BBVA Compass Bank in the sum of \$31 million dollars. This non-recourse line of credit was finalized in June of 2014 and will be used to refinance \$9 million dollars of existing long term debt, and the remaining \$22 million will be used for new center expansion. With this financing secured, Neighbors will have the ability to execute our strategic plan into 2015 while searching for the next tier of financing for both growth and equity recoupment by the current physician partners.

Neighbors is poised to have \$250-300 million in revenue in very short order, and will be an excellent candidate for middle to high market private equity firms to enter the landscape to fuel growth and allow a partial liquidity event for investors. Our physicians are young and our goal is to continue working as physician-owners and maintain our company mission as our shareholder makeup changes. Although we have over 60 physicians on staff, our physician executives and board of directors still actively see patients on a part time basis. We believe any primary and secondary market capital infused into Neighbors Health System will be a smooth transition and provide all parties with significant return on investment.

Given our success to date in all aspects of our business including our paramount mission of quality patient care, Neighbors Health System is poised to continue our growth over the immediate future and transform into a United States regional healthcare provider. Our financial maturity and calculated rapid growth will allow us to responsibly carry out investor driven expansion using a variety of capital growth options. Having all physicians as equity owners sets us apart from our competitors, and will allow us to continue carrying on the patient centric mission we set out to achieve since 2008. These factors will couple to give investors a healthy cash flow, excellent liquidity, superb return on investment, and a clear exit strategy as we expand into the secondary market via an initial public offering.

SWOT Analysis

S Strengths <ul style="list-style-type: none"> • Strong Cash Flow • Scalable Infrastructure • Guaranteed Physician Workforce Through Physician Investors • Experienced Development Partner • Clear Exit Strategy • Healthy Company Workforce & Culture • Strong Brand Identity & Maturity 	W Weaknesses <ul style="list-style-type: none"> • Long Development Lead Times – Now Mitigated With Shell Development Partner Read King • Interstate Penetration • National Marketing
O Opportunities <ul style="list-style-type: none"> • Physician Recruitment from Competitors • Acquisitions of Smaller Competitor Units to complement existing centers • More Political Involvement 	T Threats <ul style="list-style-type: none"> • Competition – FSED Large & Small • Competition – HOPD Model • Lack of Industry Quality Control • Legislative Changes in Licensure • Reimbursement Changes by Third Party Payors



NEC24.COM

Contact Information

Thank you for your interest in Neighbors Health System and Neighbors Emergency Centers. For further information, please correspond with our corporate office:

Neighbors Health System, Inc.

11130 Broadway
Pearland, TX 77584
713.436.5200
info@nec24.com

Setul Patel, MD, MBA

Chief Executive Officer
spatel@nec24.com

Paul Alleyne, MD

Chief Medical Officer
palleyne@nec24.com

John Decker, MBA

Chief Financial Officer
jdecker@nec24.com

Bruce McVeigh, MS, MA

Chief Operating Officer
bwmcveigh@nec24.com